T-P 10-6-68

PERU MILITARY KILLS CONTRACT

Oil Firm Assets Seizure May Be Considered

LIMA, Peru (AP)—The military leaders who overthrew the Peruvian government nullified a disputed contract with a U.S. oil firm and said government officials responsible for it would be "brought to justice."

The U.S. diplomatic mission remained in the country but a State Department spokesman said Friday the uncertainty brought about by the coup had caused a suspension of U.S.-Peru diplomatic relations. He said the suspension was not the same as a formal break in relations.

The military leaders did not name the officials it considered responsible for the contract with International Petroleum Corp., a subsidiary of Standard Oil of New Jersey.

Ousted President Fernando Belaunde Terry helped draw up the agreement which gave back to the government oil fields in northern Peru that had been operated by IPC since 1924.

ACTION CRITICIZED

He was criticized by opposition members of Parliament who said the contract made no provision for hundreds of millions of dollars IPC had taken from the country in resources.

The military leaders used the oil dispute as a pretext for taking power Thursday. Observers believe Gen. Juan Velasco, the army chief of staff who heads the "revolutionary government," is considering a complete takeover of the firm's assets.

In New York, a spokesman

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for Standard Oil said a satisfactory contract had been reached with the Belaunde government and no money was owed outside the contract.

Belaunde, in exile in Buenos Aires, said he would travel Sunday to Chile or Bolivia, countries bordering Peru, and await a call "to go back and fight."

Asked about charges of corruption in his regime, Belaunde said, "I am willing to return to my country and submit myself to a trial to verify my assets. I can say emphatically that I came out of the government poorer than I went in."

NATIONS CONSULT

In Washington, the U.S. government and other Western hemisphere nations consulted on recognition of the new military regime.

Partly through U.S. initiative, the nations invoked for the first time a declaration signed in Rio de Janeiro in November, 1965, providing for talks prior to the recognition of any regime that took over through a military coup. Peru is a party to the declaration.

It says that before extending diplomatic relations to a de facto government it must be determined if that government "is ready to take the necessary steps to hold elections within a reasonable period of time, giving the people the opportunity to participate freely in the corresponding electoral process."

Secretary of State Dean Rusk and most Latin American foreign ministers are in New York for the U.N. General Assembly and also were reported to be consulting.